



The Real Estate ANALYST

JUNE
1946

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Surveys....Forecasts

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VOLUME XV

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

STRIKES AND THE PUBLIC

I N 1883 a reporter for the CHICAGO TRIBUNE called on William H. Vanderbilt regarding the proposed discontinuance of a fast mail train to Chicago over the New York Central Railroad. Vanderbilt had explained that the train didn't pay. The reporter asked, "Are you working for the public or for your stockholders?" "The public be damned! I'm working for my stockholders," was the reply. This statement became famous as the attitude of big corporations toward the public interest and resulted in many laws and regulations for business.

We are now living in a new era and conditions have changed greatly since the eighties. The privileged classes at the present time are not the stockholders of railroads and the owners of corporation bonds, but the members of organized labor.

There is no question of the fact that labor at first was at a great disadvantage in dealing with big business and it was proper for government to guarantee to labor an opportunity to meet industry on an even footing. Unfortunately, the Wagner Act not only did this but gave labor many special privileges which have made the labor-management conferences entirely one-sided. Labor leaders, like the leaders of industry in the eighties, have become arbitrary dictators with no regard for the public interest. They have failed to realize what all history teaches - that privilege arises through service and perishes through abuse.

The charts on pages 182 to 188 in this report show the fluctuations of employment in manufacturing industries in 93 metropolitan areas. These charts start in 1937 and are complete through March of 1946, the last figures available at this time. They show the effect of the General Motors strike which started on November 21, 1945, with the men returning to work on March 26, 1946, and the effect of the steel strike which started on January 21, 1946, and ended on February 15. The soft coal strike did not start until April 1, so this is not reflected in any way in the figures. Neither is the railroad strike which started on May 23.

The paralyzing effect of these strikes on manufacturing activity in many cities is indicated by the precipitous drops in employment.

Reconversion has been retarded many months and inflation pressures have been increased by these strikes. Labor leaders like John L. Lewis may be able

(cont. on page 178)

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under existing laws to force a slightly larger proportion of the national income into the pockets of their own constituents, but the standards of living of labor in the United States over the long period can be increased only by increasing the physical output of goods.

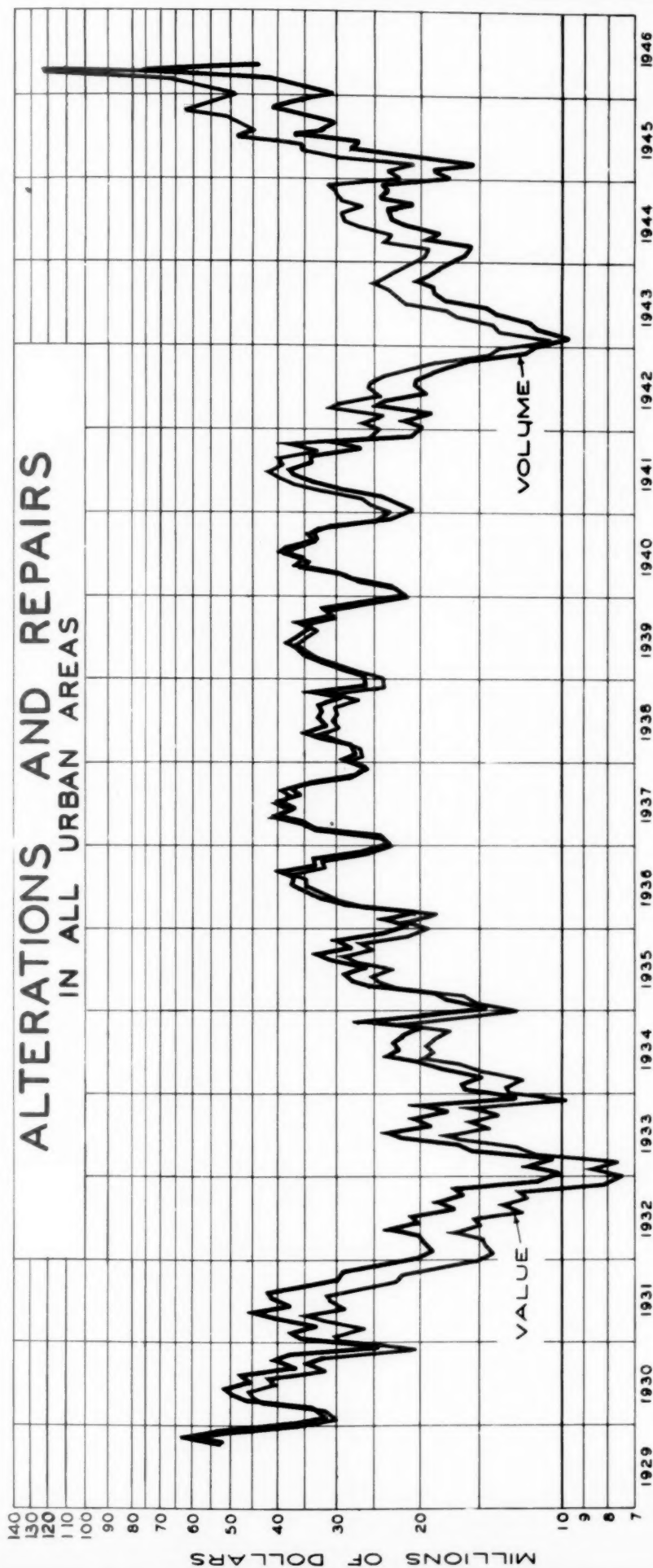
If labor trouble continues at the rate of the last six months, pay rolls will drop to the point where demand will be reduced and many shortages which seem quite acute at the present time may almost disappear, as demand is primarily determined by the relationship of buying power to price level. Each additional wage increase brings higher prices unless it is accompanied by an increase in output per man hour. This is so fundamental that it is quite startling that the economic illiteracy of the statement that wages could be increased without an increase in prices in the automobile industry was not apparent months before it was disavowed by Secretary Wallace. (This disavowal came after the strike had been settled.)

It seems probable that labor troubles in the second six months will not be so severe as they have been in the first half of the year and that manufacturing employment should be relatively high during the balance of 1946.

In discussing manufacturing employment it must always be kept in mind that in the average city before the war only from one-fifth to one-half of the employment was "manufacturing employment." On the other hand, manufacturing employment is the most vulnerable of all types of employment due to labor difficulties and as it shrinks in many cities nonmanufacturing employment decreases, because of the reduced buying power of the employees of large industrial concerns. Of the 93 cities and areas charted, 39 in March had less manufacturing employment than they had in 1937. These 39 cities and areas, with the percentage below their 1937 employment, are shown in the following table:

Albany Met. Dist.	48.6%	Lowell Met. Dist.	9.6%
Atlanta Met. Dist.	12.3	Lynn, Massachusetts	33.4
Buffalo Met. Dist.	4.5	Miami Met. Dist.	41.5
Cambridge, Massachusetts	6.0	Newark, New Jersey	14.4
Canton Met. Dist.	1.5	New Bedford, Massachusetts ..	20.5
Columbus Met. Dist.	15.0	New York-New Jersey Met. Dist.	1.2
Detroit Met. Dist.	24.8	Oakland, California	46.9
Duluth Met. Dist.	22.8	Paterson, New Jersey	2.5
El Paso Met. Dist.	27.9	Pittsburgh Met. Dist.	7.0
Erie Met. Dist.	25.9	Providence Met. Dist.	12.8
Evansville Met. Dist.	20.4	Reading Met. Dist.	40.3
Fall River, Massachusetts	20.8	Salt Lake City Met. Dist. ..	51.8
Fort Wayne Met. Dist.	40.0	San Diego Met. Dist.	18.9
Gary, Indiana	0.7	Scranton Met. Dist.	11.2
Grand Rapids Met. Dist.	32.0	Tacoma Met. Dist.	10.9
Hartford Met. Dist.	2.0	Toledo Met. Dist.	13.2
Jacksonville Met. Dist.	31.6	Trenton Met. Dist.	13.8
Jersey City, New Jersey	14.3	Worcester Met. Dist.	10.7
Kansas City Met. Dist.	3.8	Youngstown Met. Dist.	16.1
Knoxville Met. Dist.	2.3		

ALTERATIONS AND REPAIRS IN ALL URBAN AREAS



ALTERATIONS AND REPAIRS

THE chart above shows the dollar value and the estimated physical volume of alterations and repairs from September 1929 to the present. The red line showing volume is the value line corrected for changing construction costs.

The only basis for a chart of this sort is a compilation of building permits, with the difficulty that a large volume of alterations and repairs are of insufficient size individually to require a building permit. For this reason, the dollar figures as shown by the chart are much too low. The percentage fluctuations are probably approximately correct.

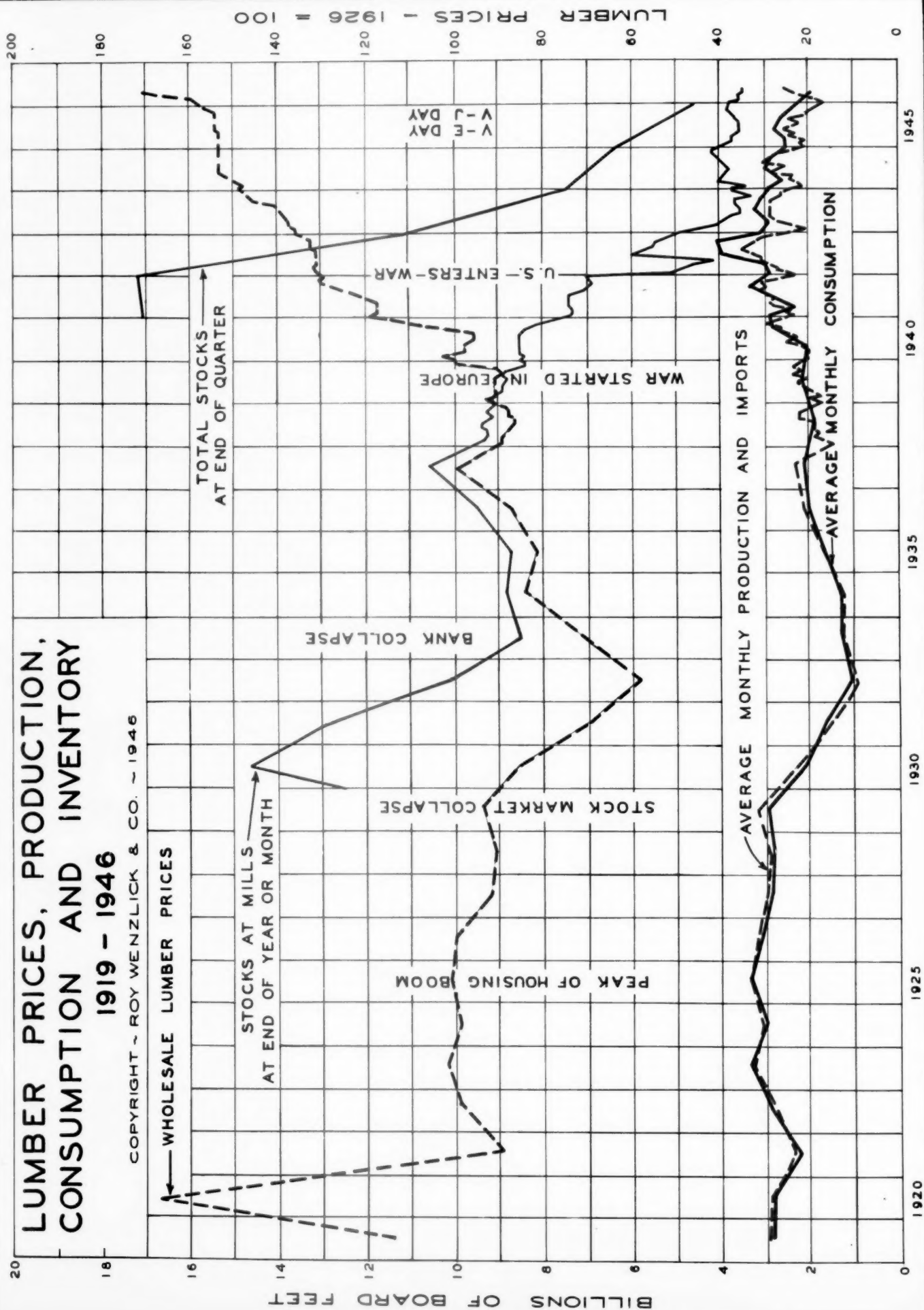
In 1943 the volume of alterations and repairs fell below the level of the bottom of the depression. Since 1943, however, the volume has been increasing rapidly due first to the conversion of single-family residences in war areas to multi-family units and to other alterations and repairs which were necessary to put unused dwelling units back on the market.

The alteration and repair work taking place during the latter part of 1945 and the first part of 1946 included a great deal of commercial building, as many business concerns are finding it necessary to modernize and enlarge their present space.

LUMBER PRICES, PRODUCTION, CONSUMPTION AND INVENTORY

1919 - 1946

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THE PRESENT LUMBER SITUATION

THE chart opposite shows the fluctuations since 1919 for the wholesale price of lumber and the supply and demand for it. The wholesale price of lumber is charted on a monthly basis, total stocks of lumber on a quarterly basis, consumption on a quarterly basis from 1940 to the present, and production on a monthly basis from 1938 to the present.

Wholesale lumber prices rose rapidly from 1915 until 1920, reaching the peak about the middle of the year and collapsing in the depression of 1920 and 1921. There was relatively little change in lumber prices from 1921 through 1929, the period of the big building boom of the twenties. These prices fell sharply during the big depression of the thirties and by 1939 were back to approximately the level of the later part of the twenties. The war demand for lumber, however, with increasing labor costs forced lumber prices higher each year during the war, with the possibility that they will go still higher in the period ahead. If freight rates increase, and it seems that they must to take care of the wage increase given to the trainmen, this will cause a further rise in lumber prices.

The lumber prices shown on the chart are legal prices as we do not know of any way in which a reliable index can be prepared at the present time on black market prices. We know that a very large percentage of lumber during the first six months of 1946 has gone through illegal channels. On Southern pine some estimates would run as high as 50 to 60 per cent. Black market prices on lumber will run from one-third to one-half higher than legal prices.

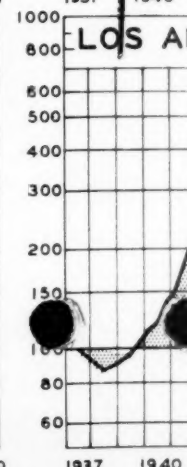
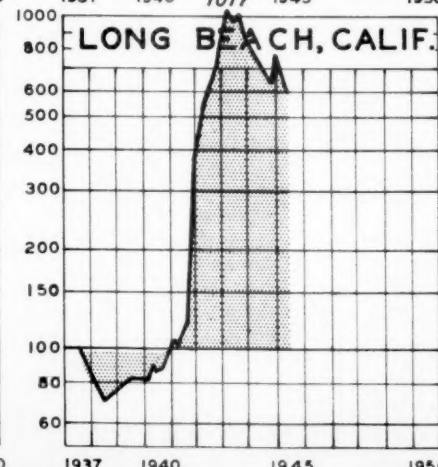
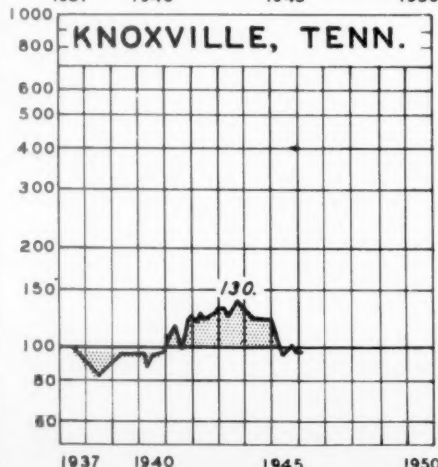
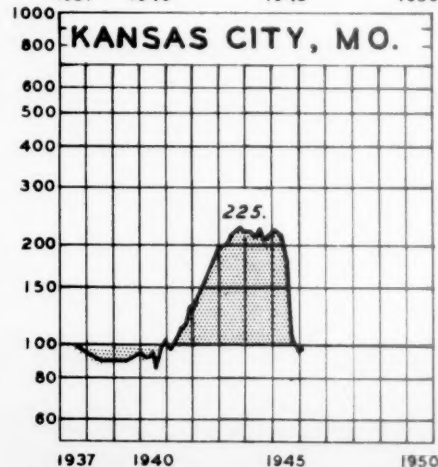
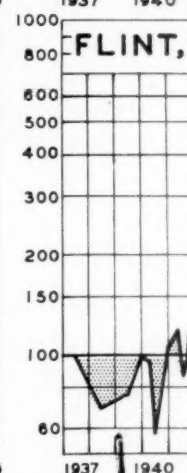
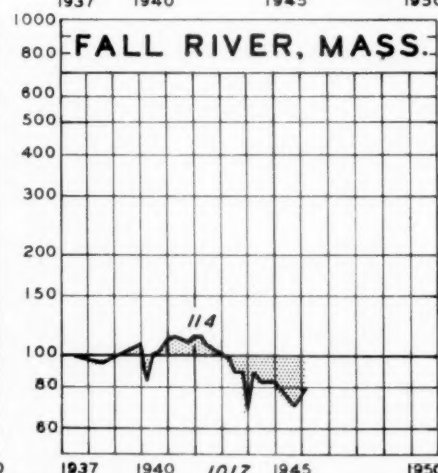
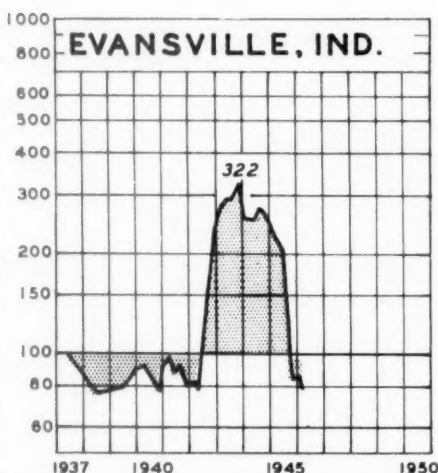
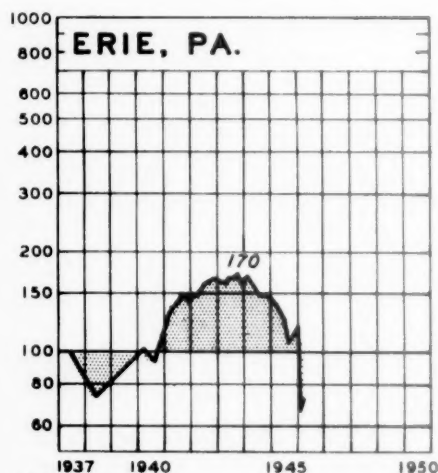
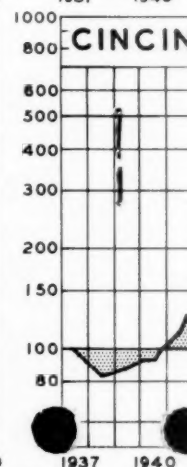
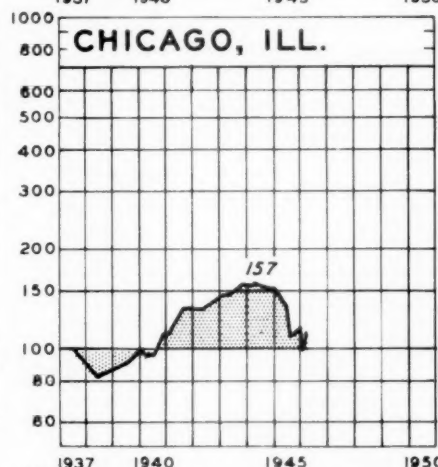
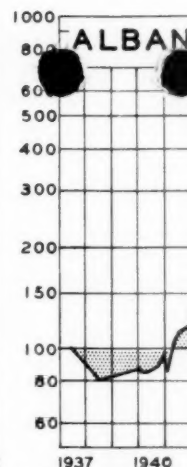
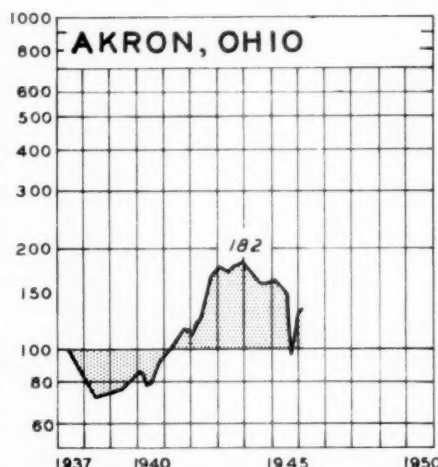
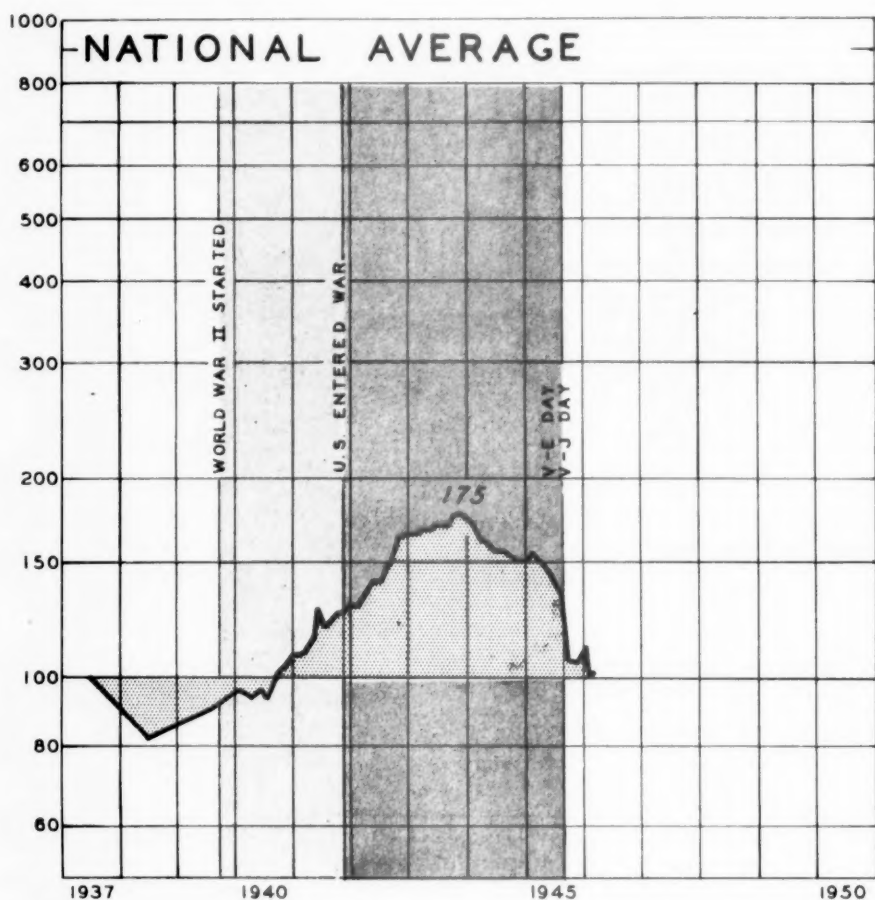
The red figures on the chart show the consumption and exports of lumber on an average monthly basis. The blue line rather close to the red line on the chart shows the average monthly production and imports of lumber, also charted on a monthly basis.

The war insofar as lumber was concerned was fought out of inventory. It will be noticed that stocks of lumber at the mill have been declining since 1938 and total stocks (these include the stocks in retail yards) have been declining since 1941. At the present time we have less than two months' supply of lumber in inventory and this includes the lumber at the mill, in transit, at distributing points and in retail yards. This condition will show little improvement during the balance of 1946 and probably relatively little during 1947. It will be a major factor in limiting the speed at which we can relieve the present housing shortage.

Following are factors which will make a fairly large volume of residential building possible during 1946.

1. The war demand for lumber is over which means that the amounts which were formerly channeled into military uses have been greatly shrunken.
2. The limitations on the construction or alteration of all types of building, exclusive of residential, will increase the number of board feet available for building houses.
3. Subsidies will increase the supply of some types of lumber by a small amount.

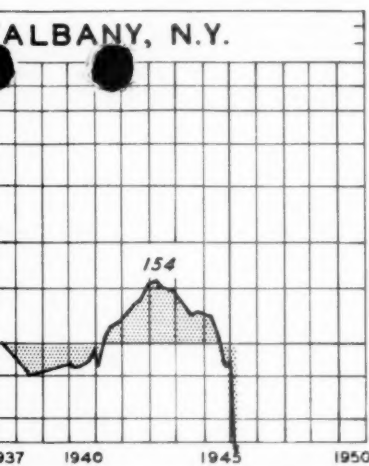
INDEX 1937 = 100



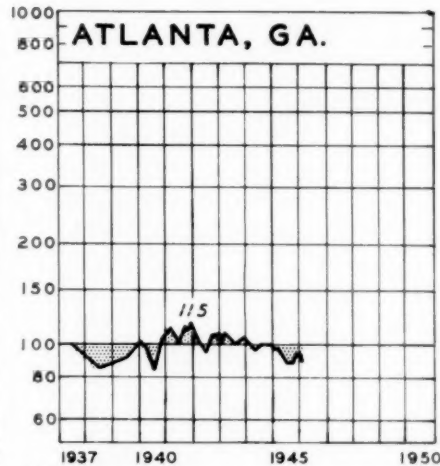
FLUCTUATIONS OF EMPLOYMENT IN MANUFACTURING

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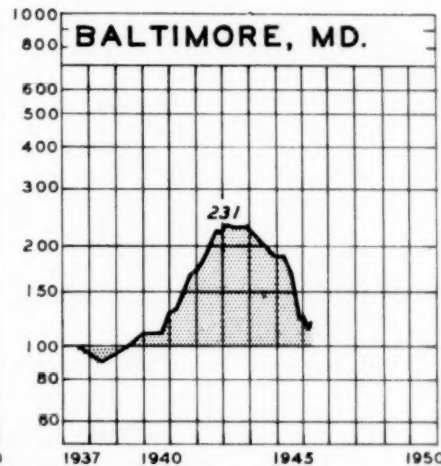
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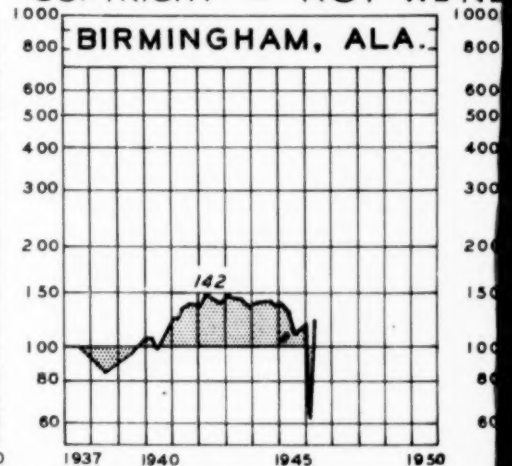
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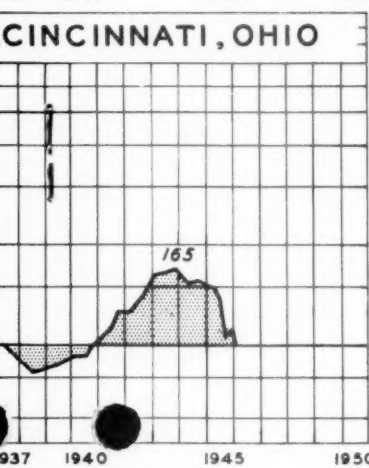
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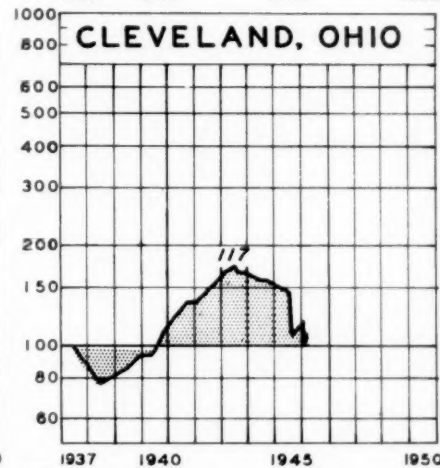
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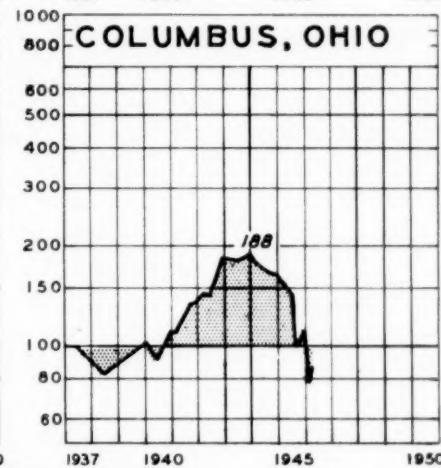
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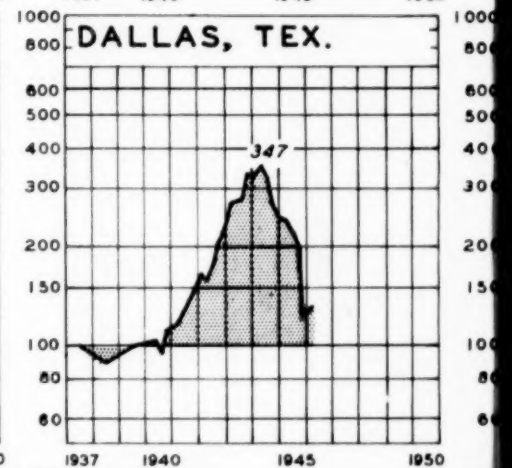
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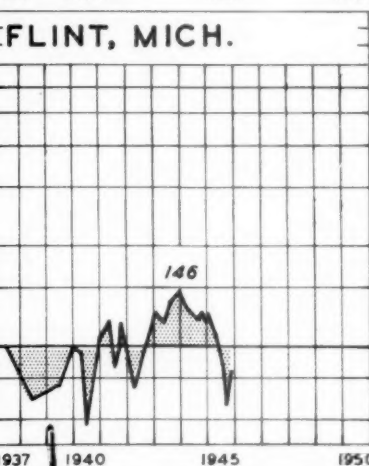
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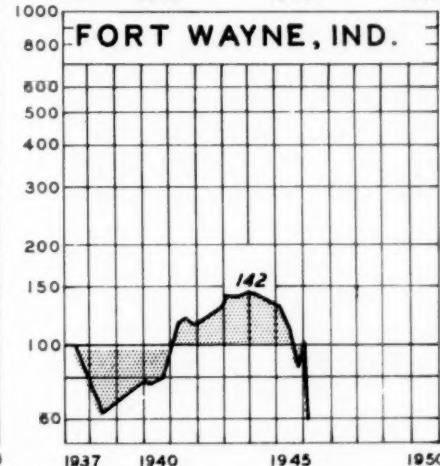
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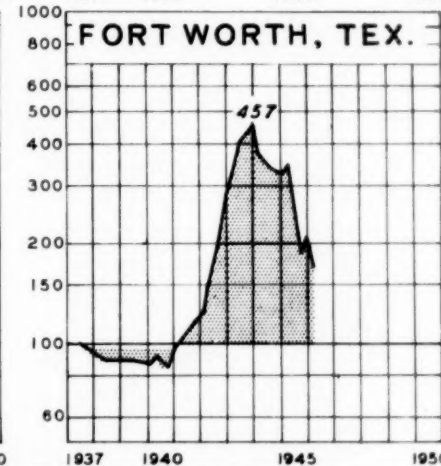
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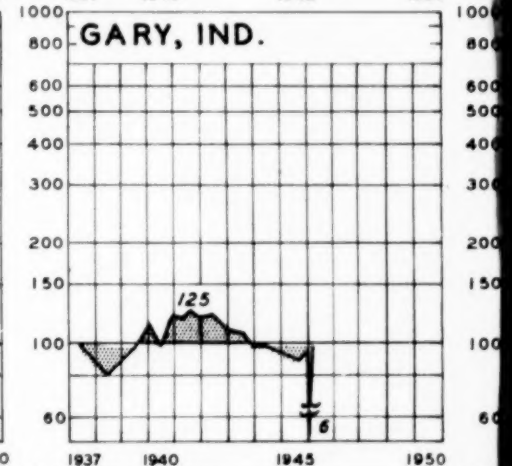
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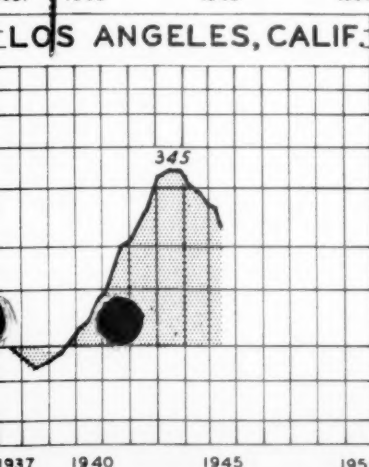
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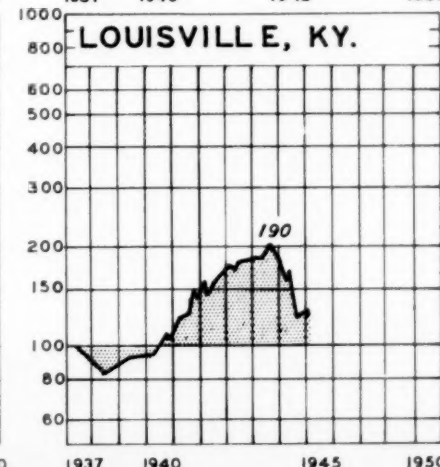
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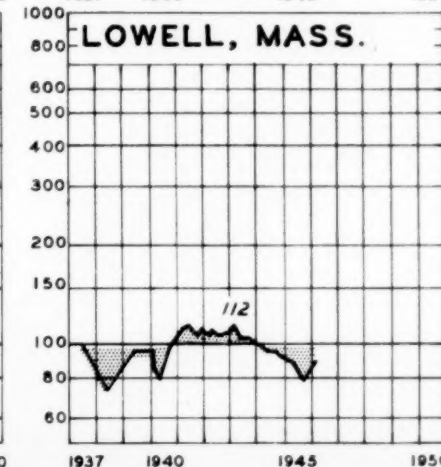
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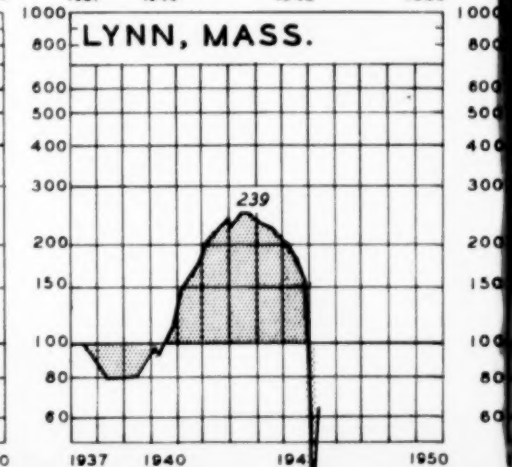
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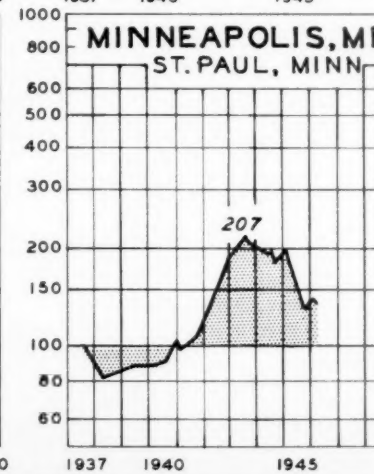
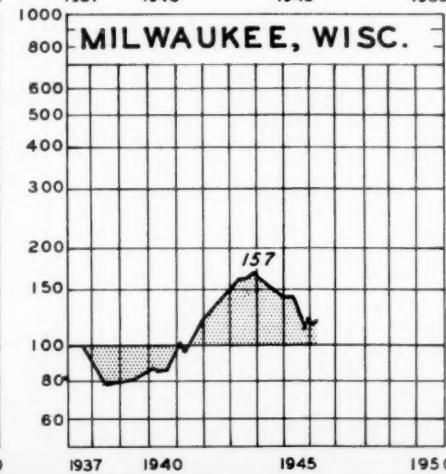
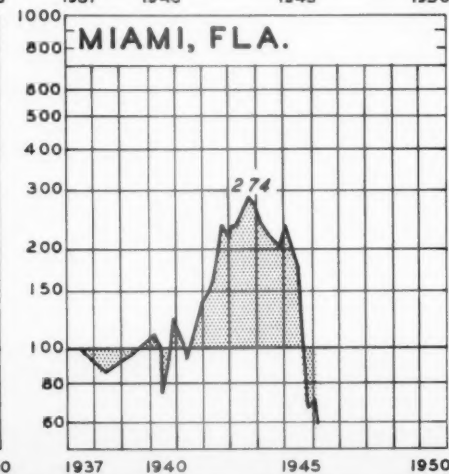
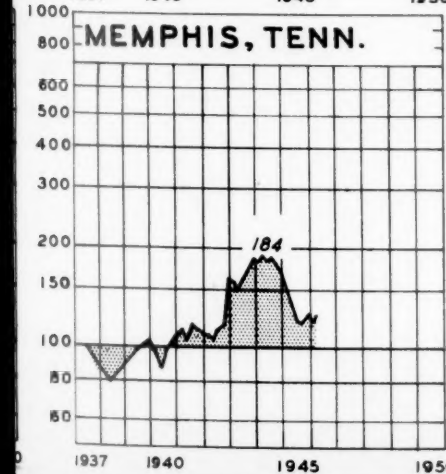
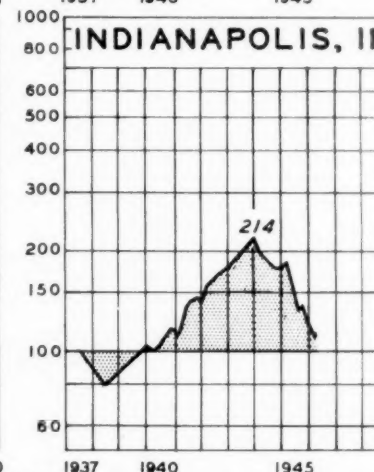
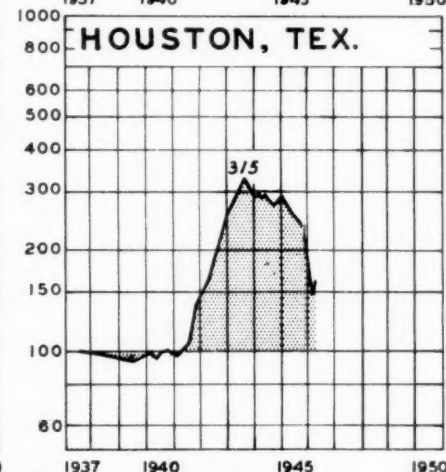
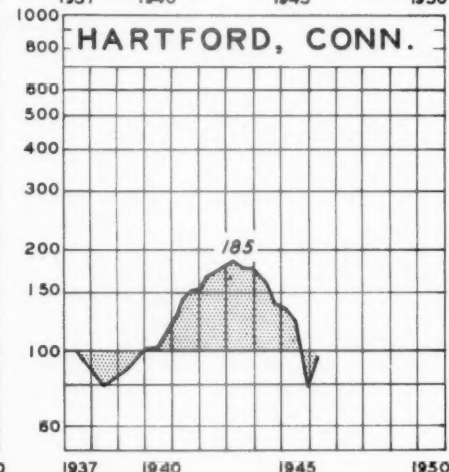
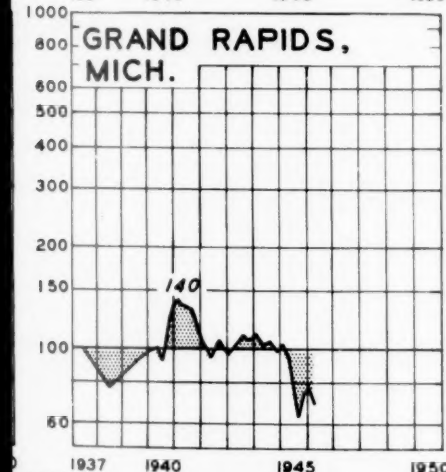
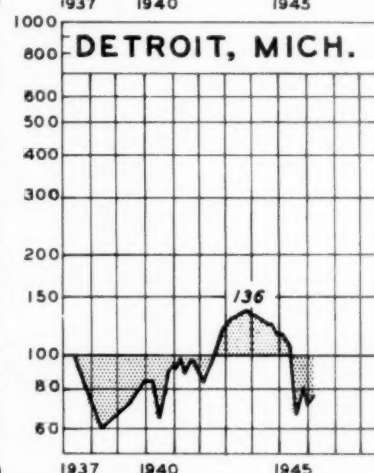
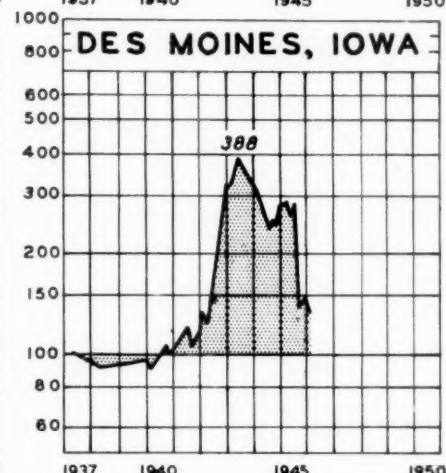
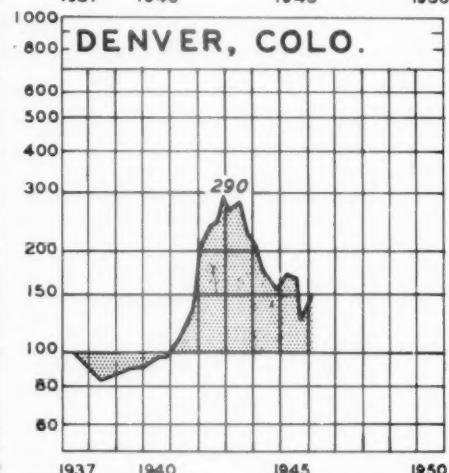
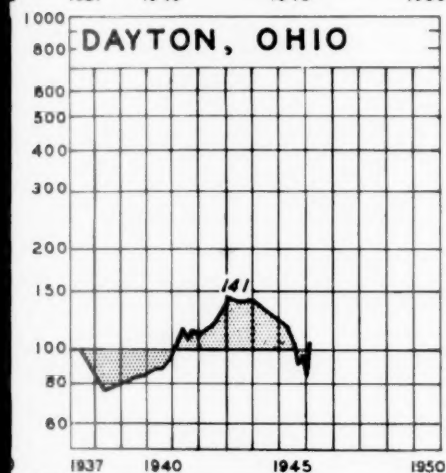
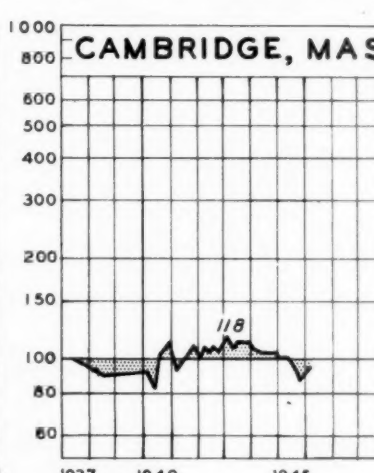
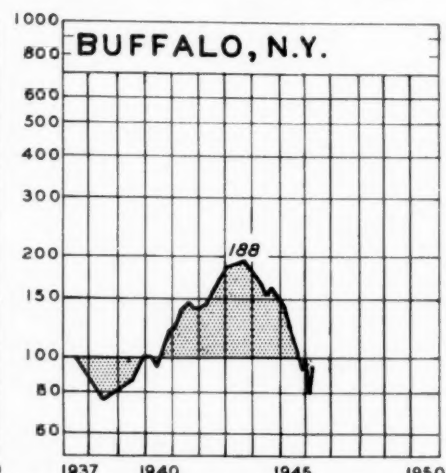
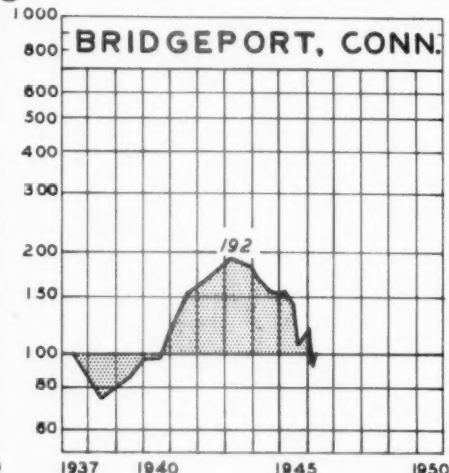
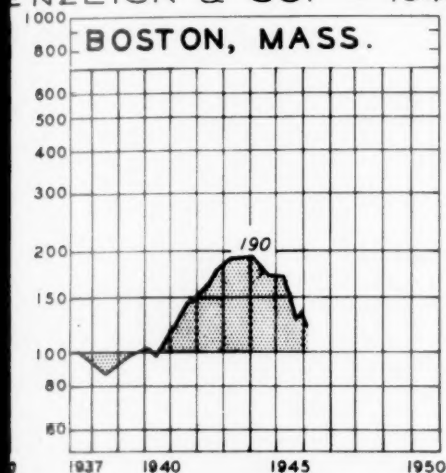


LYNN, MASS.



URING INDUSTRIES IN 93 METROPOLITAN AREAS

ENZLICK & CO. - 1945



AREAS

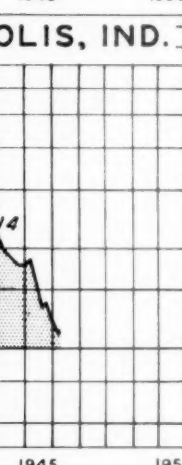
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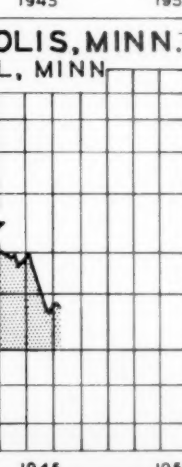
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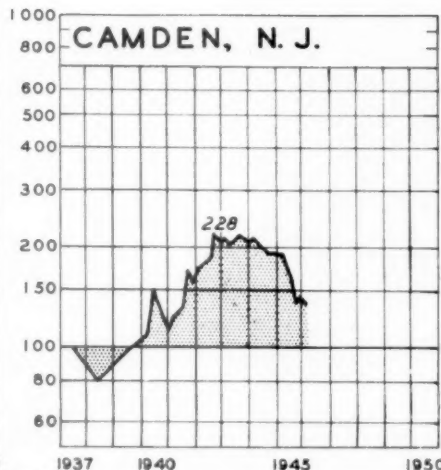
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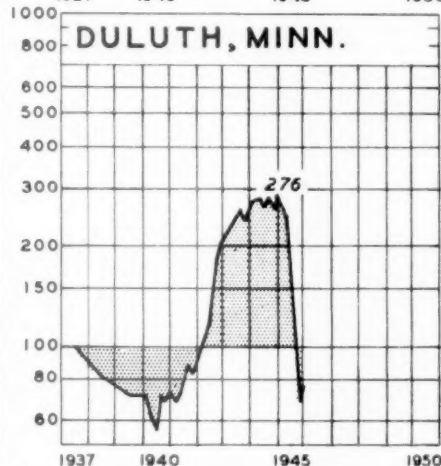
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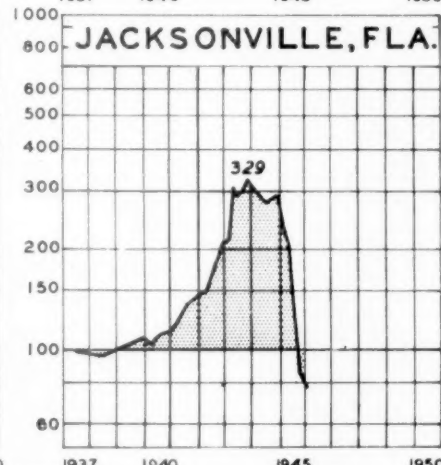
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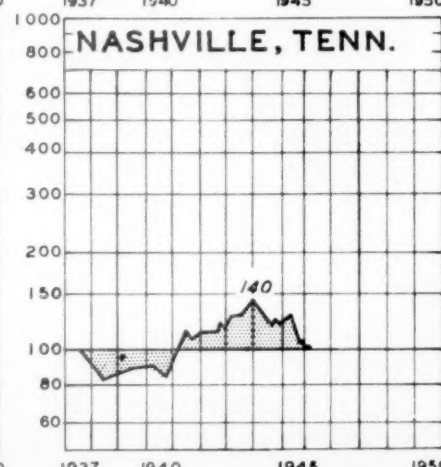
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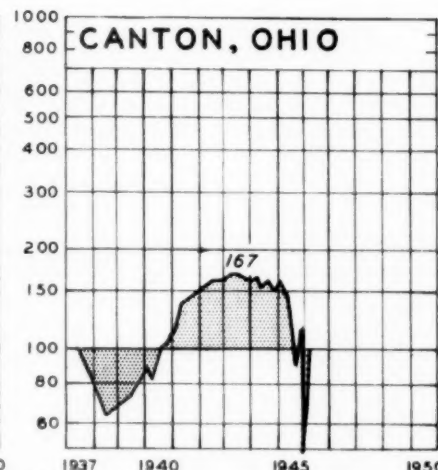
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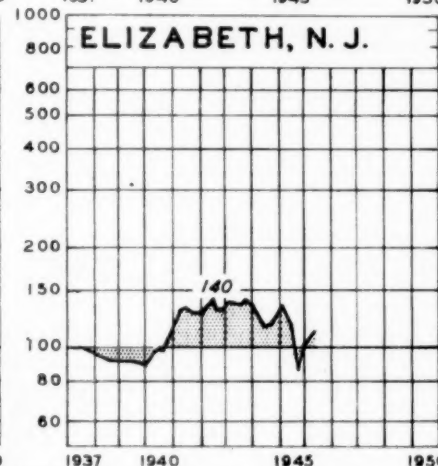
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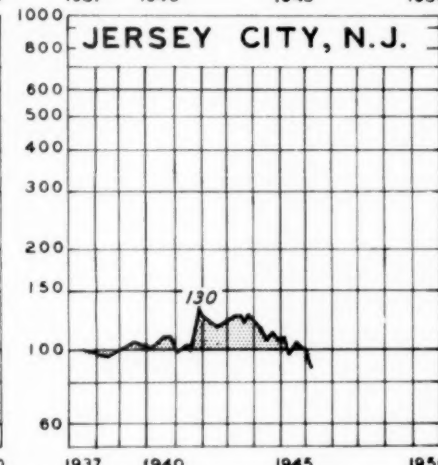
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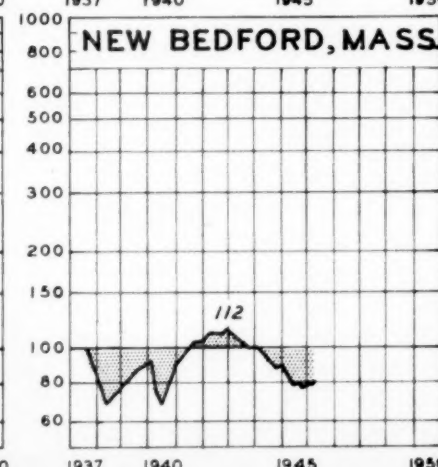
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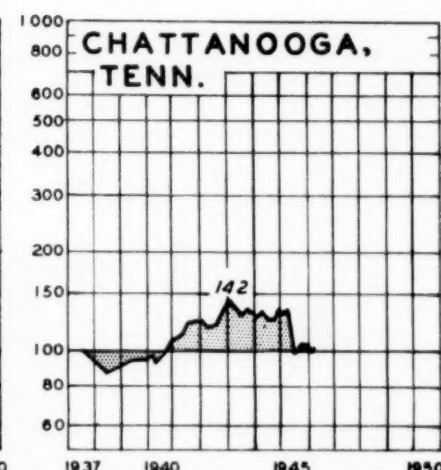
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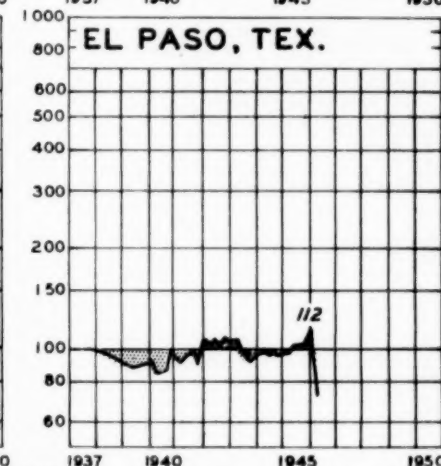
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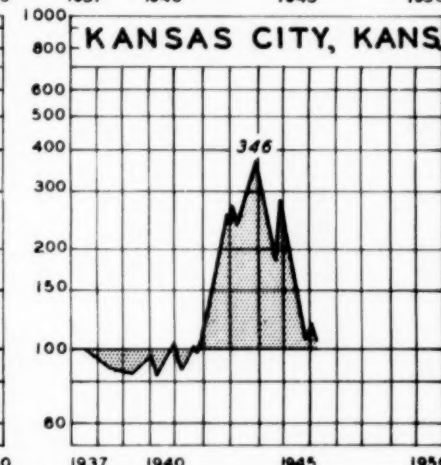
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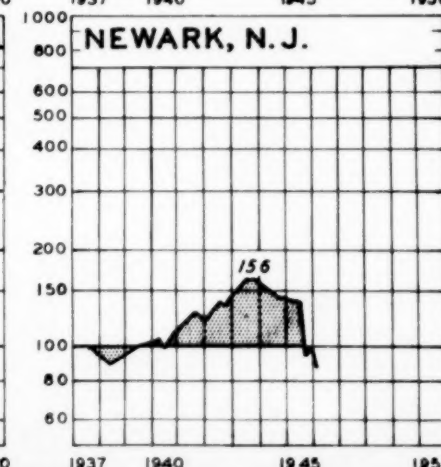
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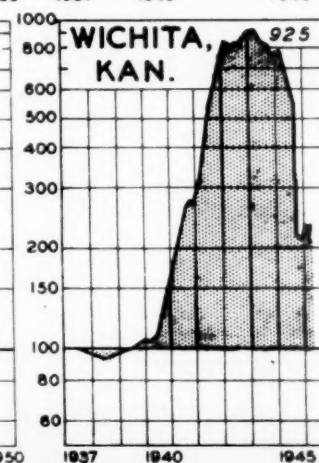
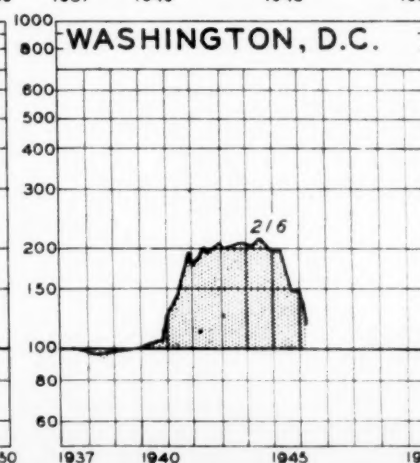
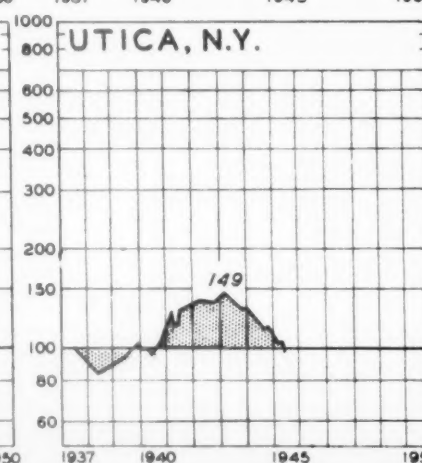
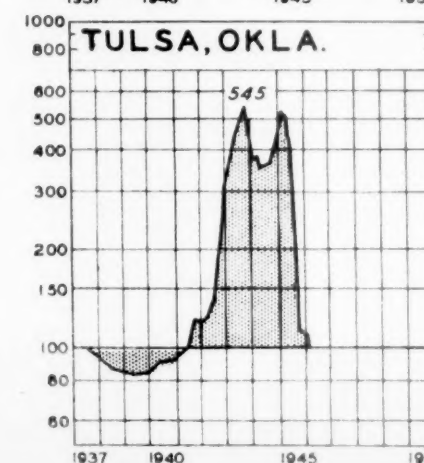
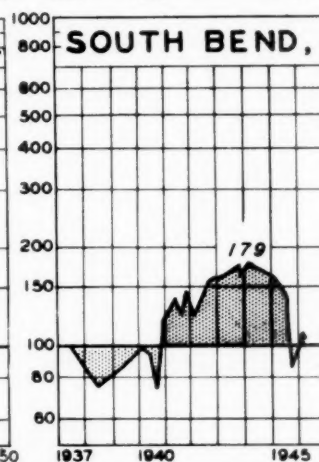
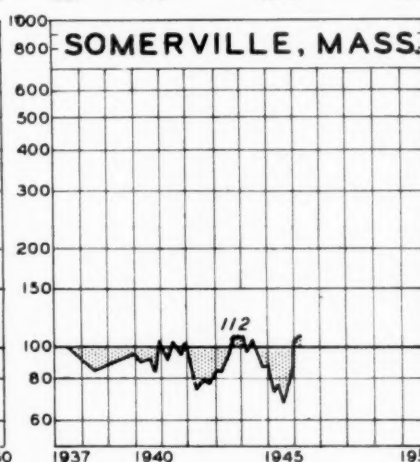
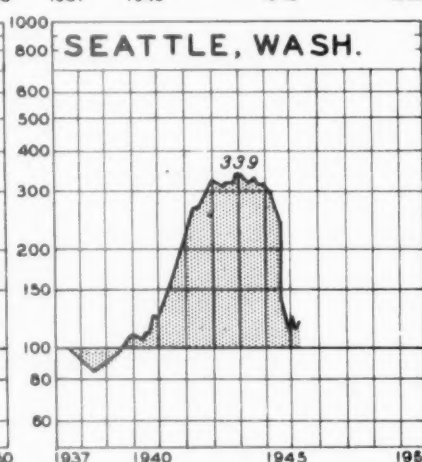
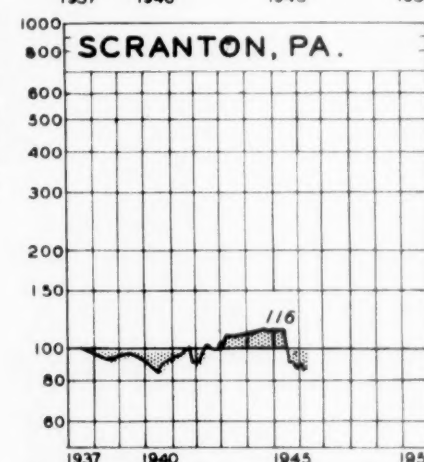
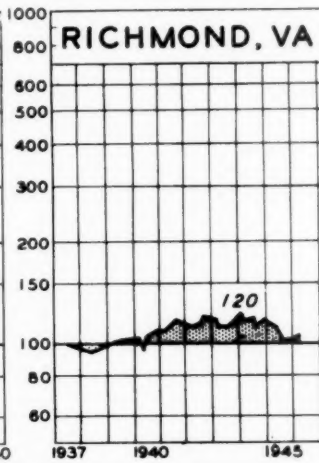
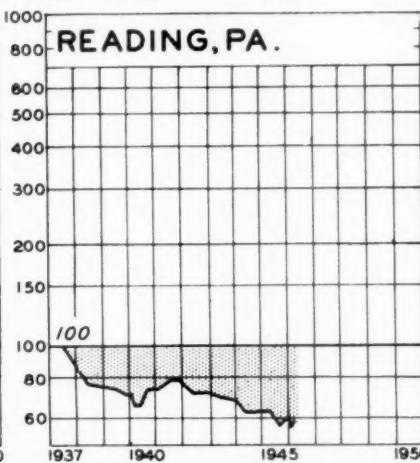
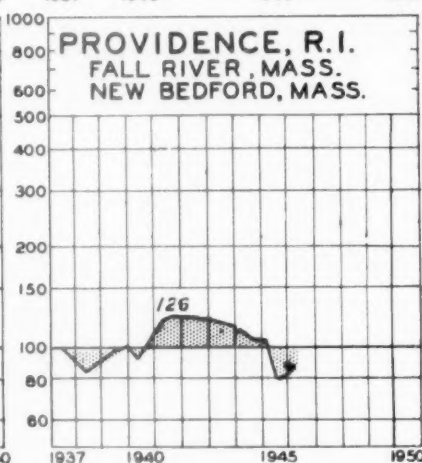
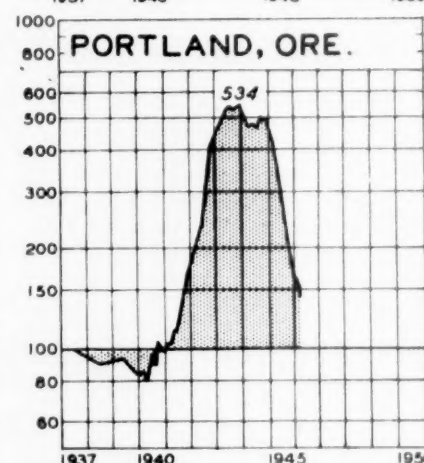
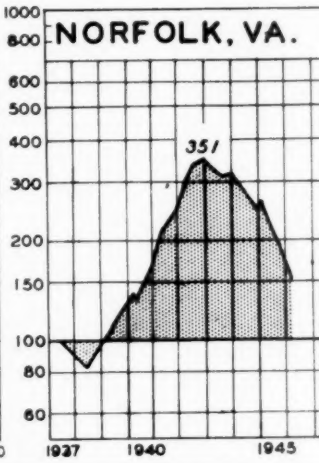
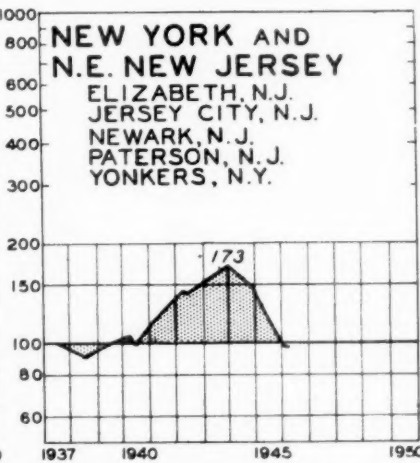
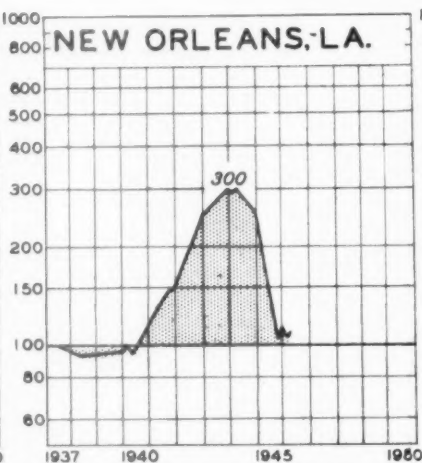
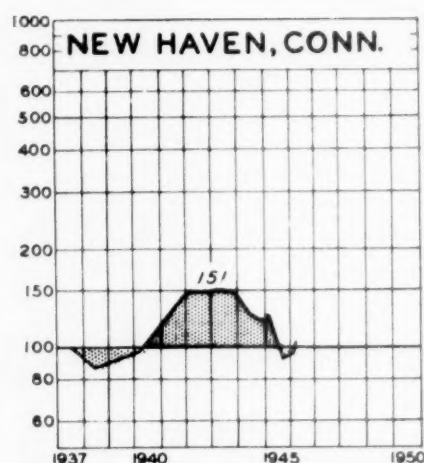


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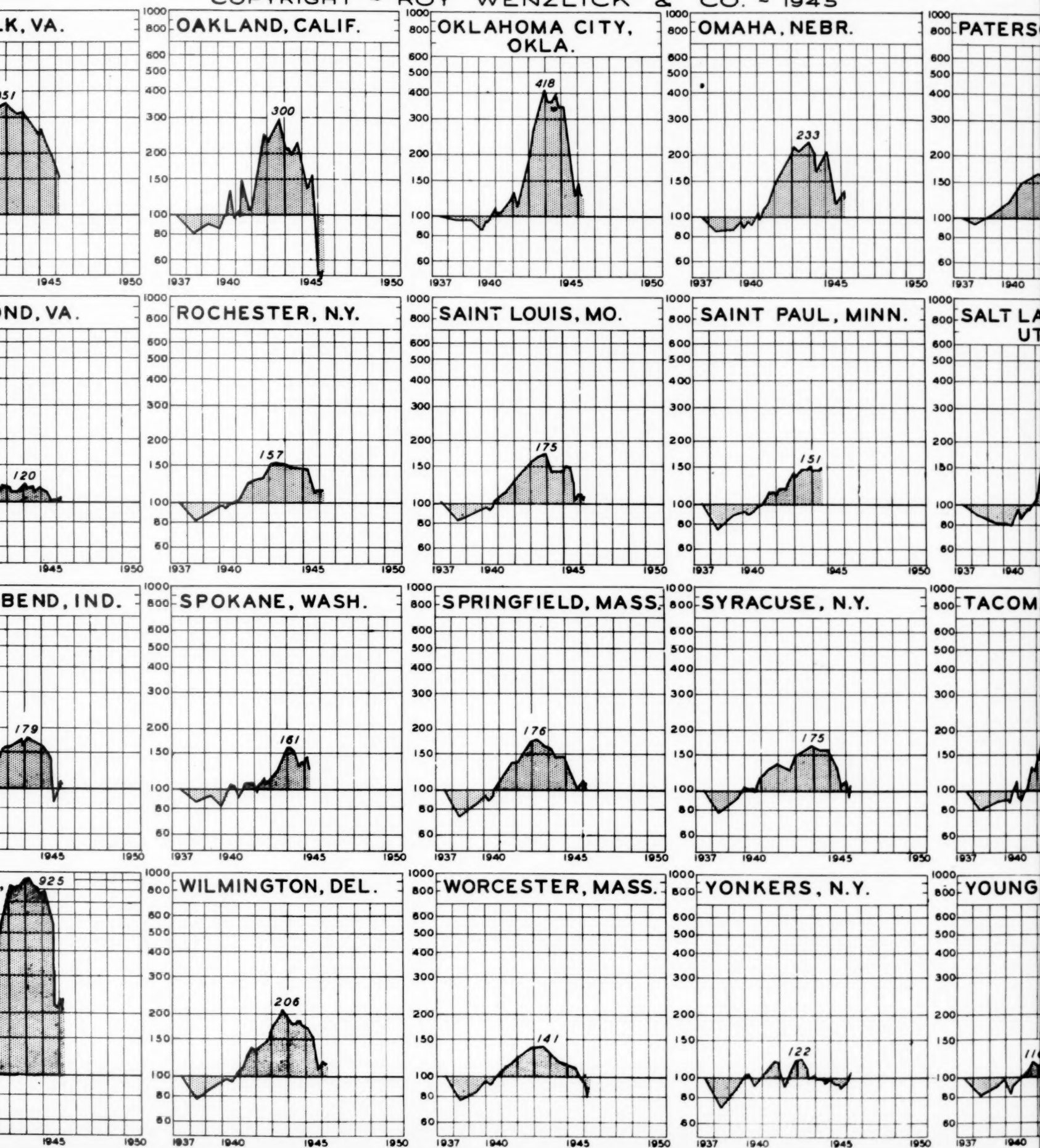
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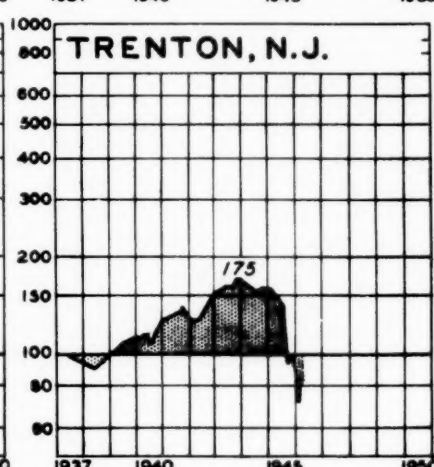
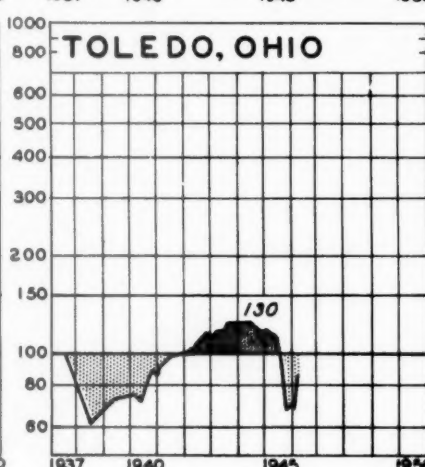
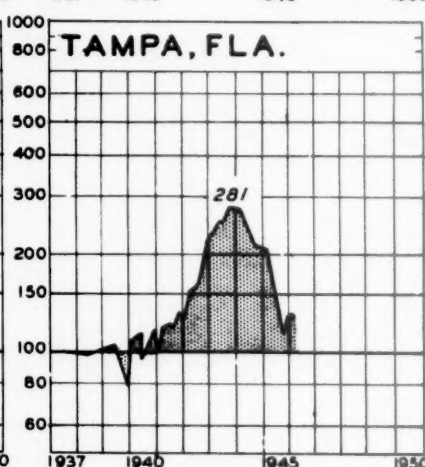
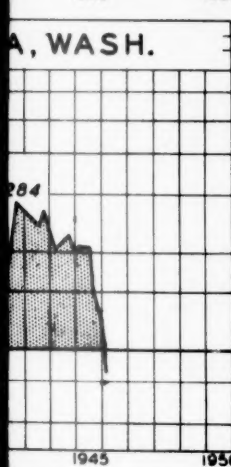
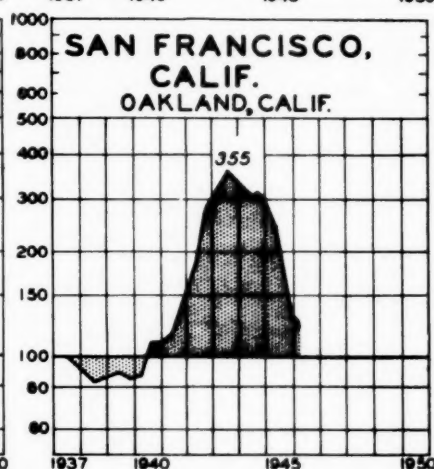
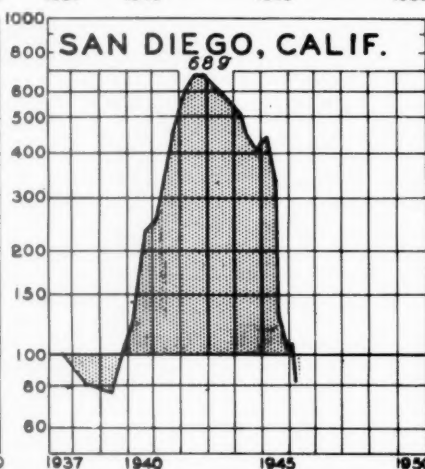
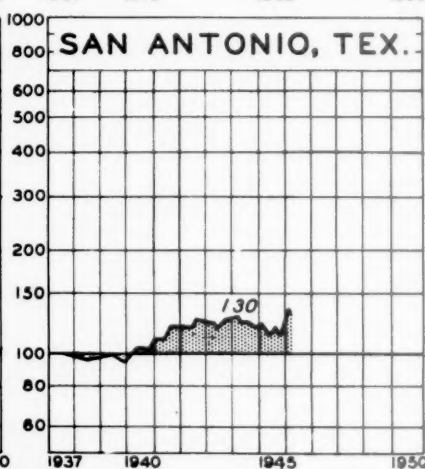
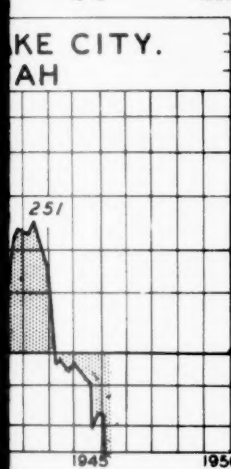
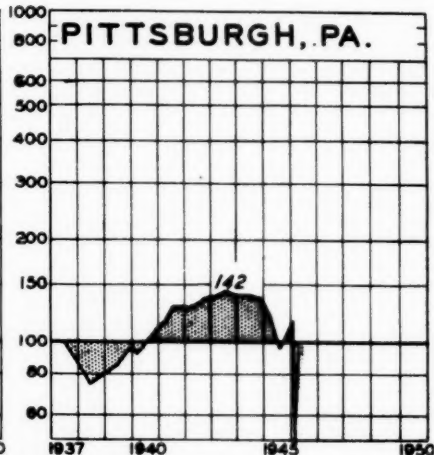
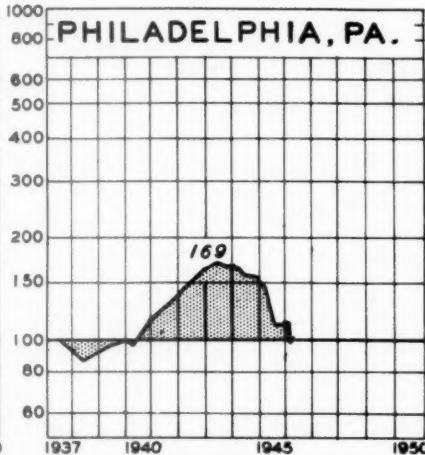
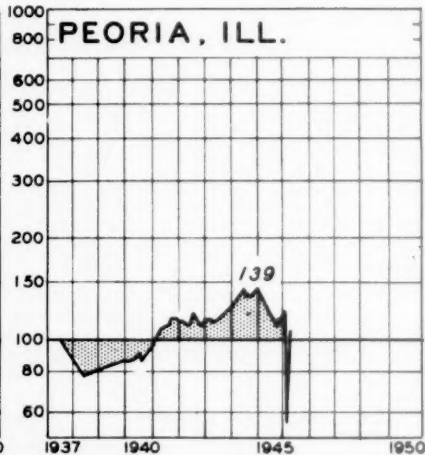
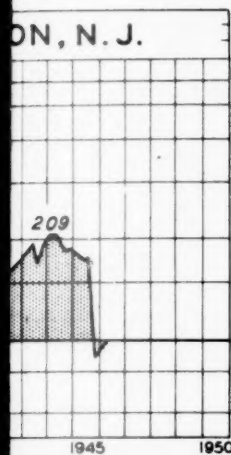


EMPLOYMENT IN MANUFACTURING INDUSTRIES IN 9

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3 METROPOLITAN AREAS

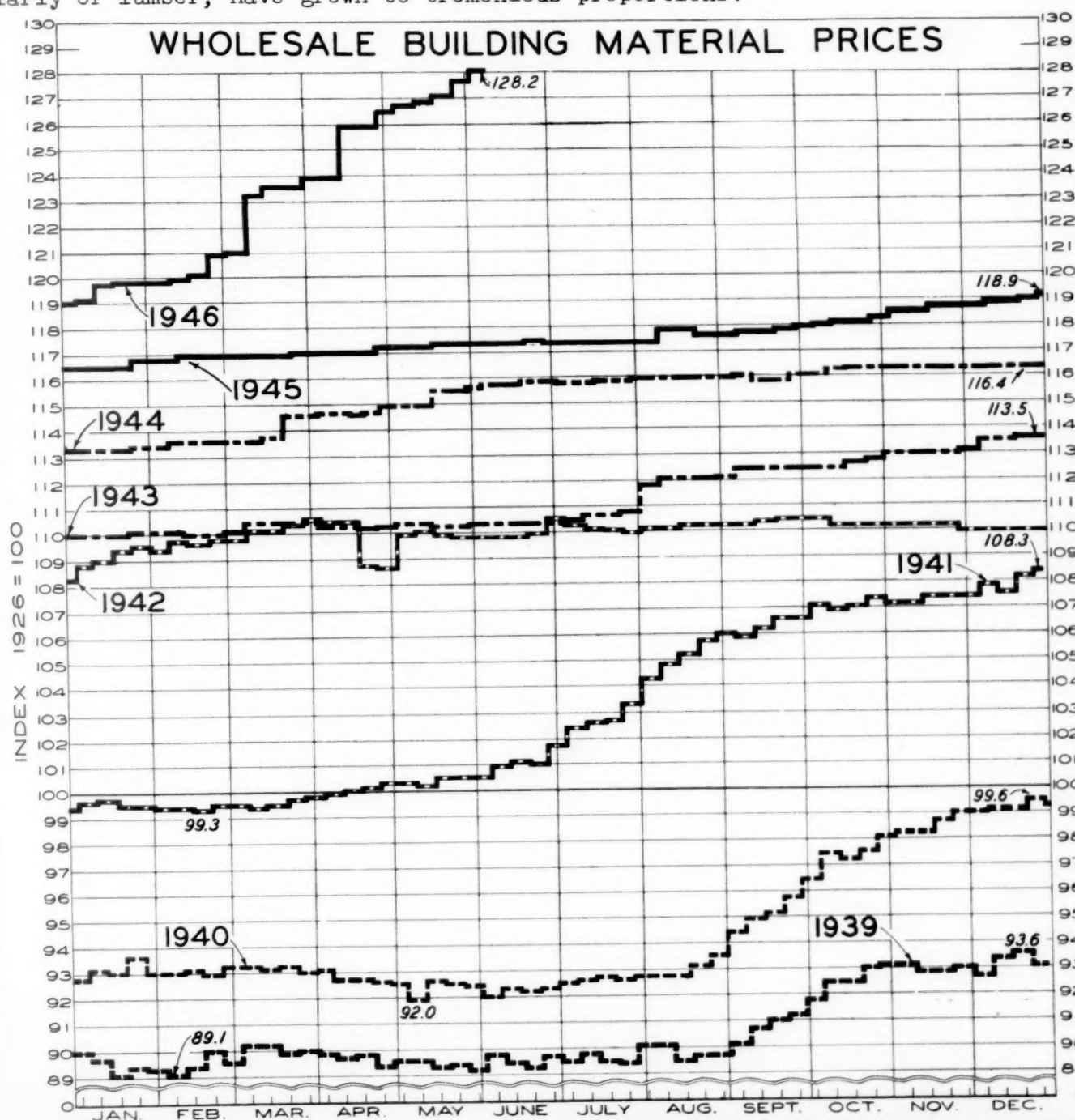


BUILDING MATERIAL PRICES

THE chart below shows building material prices as reported by the Bureau of Labor Statistics of the U. S. Department of Labor from 1939 to the present. All figures are expressed as percentages of the 1926 average. These figures are computed from wholesale quotations in many parts of the country.

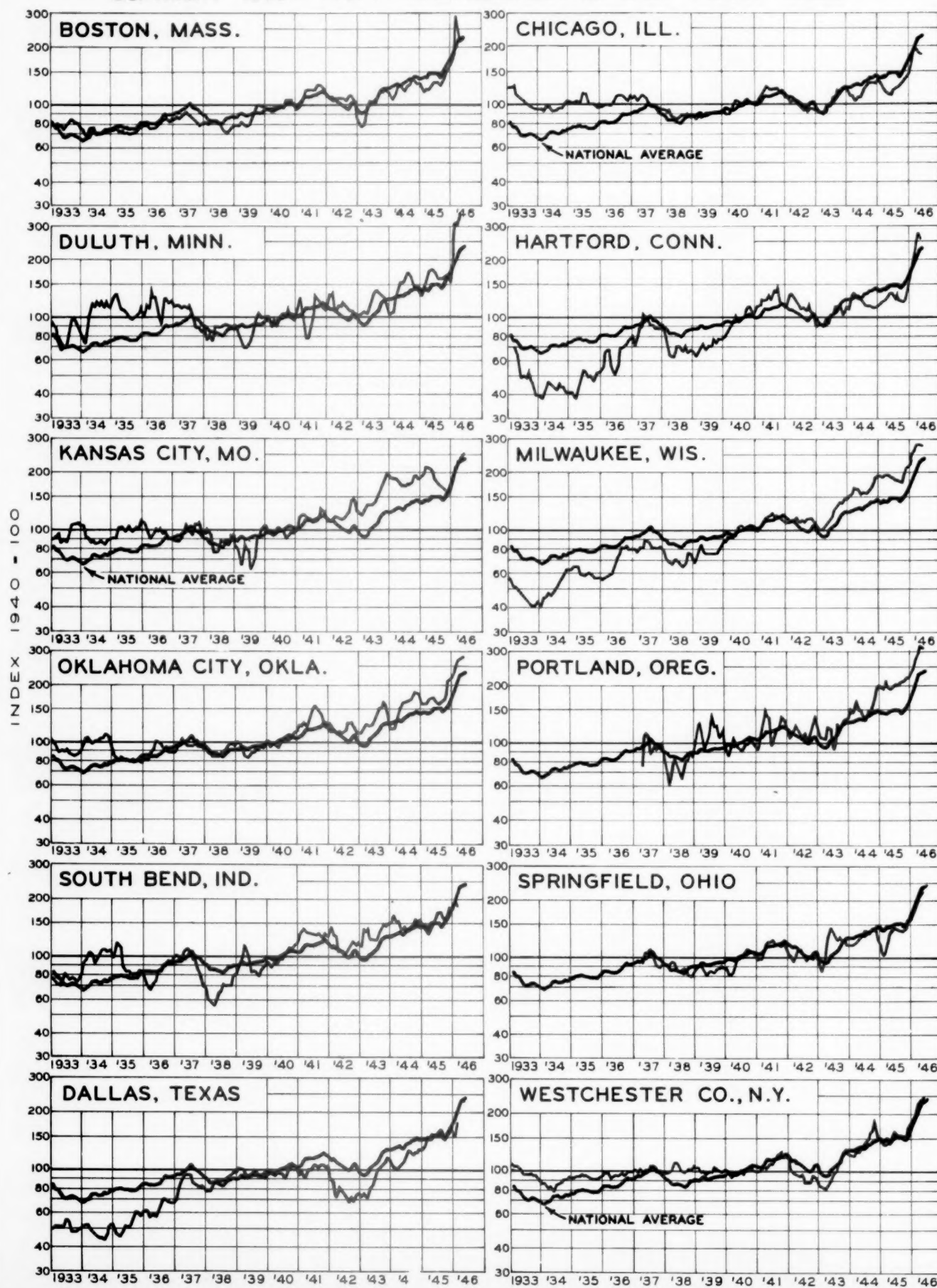
Right after the war started in September 1939 the wholesale prices of building materials started rising. This rise stopped in 1940 until the second half of the year and was then resumed. Each year has seen the figures creep a little bit higher, with a series of more rapid increases beginning in 1946.

These figures, however, are not entirely indicative of what has actually happened to retail building material costs. For one thing, they do not take into consideration black market operations, and black market sales, particularly of lumber, have grown to tremendous proportions.



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